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IDAHO PUBLIC
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1407 W. North Temple, Suite 310
Salt Lake City, Utah 84116

VIA OVERNIGHT DELIVERY

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

**RE: CASE NO. PAC-E-16-07
IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER
REQUESTING AUTHORITY TO MODIFY ELECTRIC SERVICE SCHEDULE 135 -
NET METERING SERVICE**

Attention: Jean D. Jewell
Commission Secretary

Please find enclosed for filing an original and seven copies of Rocky Mountain Power's Application in the above-referenced matter.

Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

Jeffrey K. Larsen
Vice President, Regulation

Yvonne R. Hogle (ISB# 8930)
Rocky Mountain Power
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Attorney for Rocky Mountain Power

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. PAC-E-16-07
OF ROCKY MOUNTAIN POWER)	
REQUESTING AUTHORITY TO MODIFY)	APPLICATION OF
ELECTRIC SERVICE SCHEDULE 135 -)	ROCKY MOUNTAIN POWER
NET METERING SERVICE)	

COMES NOW, Rocky Mountain Power, a division of PacifiCorp (the "Company") pursuant to Idaho Code §§ 61-502, 61-622, 61-623, and RP 52, 121, 125 hereby respectfully submits this Application to the Idaho Public Utilities Commission ("Commission") for authority to modify Electric Service Schedule No. 135 - Net Metering Service, to adjust the participation cap from 714 kilowatts to 2,000 kilowatts.

In support of this Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is authorized to and is doing business as an electrical corporation in the state of Idaho. The Company is an electrical corporation pursuant to *Idaho Code* § 61-119, providing retail electric service to approximately 73,000 customers in the state and is subject to the jurisdiction of the Commission. Rocky Mountain Power is a public utility in the state of Idaho pursuant to Idaho Code §§ 61-119 and 61-129.

2. This Application is filed pursuant to Idaho Code §§ 61-301, 61-303, 61-307, and 61-622. In particular, Idaho Code § 61-622 empowers the Commission to determine the propriety of proposed rate schedules, § 61-307 requires Commission approval prior to any changes in rates, and § 61-301 requires Idaho retail electric rates to be just and reasonable.

BACKGROUND

3. Pursuant to the Commission's Order¹ on June 20, 2003, the Company began offering net metering service to its Idaho customers through Electric Service Schedule No. 135 - Net Metering Service, ("Schedule 135"), with participation capped at 714 kilowatts, or one-tenth of one percent of the Company's 2002 retail peak demand.

4. Net metering customers who install distributed generation facilities can offset part or all of their energy requirements and feed excess energy (i.e., energy the customer's facility generates in excess of its needs at that moment) back into the grid. During periods when the customer's generation is not operating or not producing sufficient energy to meet the customer's usage, energy is delivered to the customer from Company facilities.

5. During each billing period, a customer's excess generation is netted against the customer's kilowatt-hour usage taken from the Company. If the energy generated by the customer and delivered to the Company exceeds the energy supplied by the Company to the customer during the billing period, the customer is billed for the appropriate power and other non-energy charges and compensated for any net energy through a financial credit, based on the applicable standard service tariff.

¹ Order No. 29260.

6. By December 31, 2007 the Company only had two net metering customers with approximately 3 kilowatts of generation. Participation increased to 16 customers by the end of 2008 with 41 kilowatts connected, 70 customers by the end of 2010 with 250 kilowatts, 98 customers by the end of 2012 with approximately 575 kilowatts of generation capacity. By the end of 2013, 113 net metering customers with a total of 677 kilowatts were interconnected to the Company's system. As of December 31, 2015 the Company had 161 customers with 1,049 kW of interconnected load.

7. Since Schedule No. 135 was implemented, the Company has monitored its net metering program, anticipating the need to file for modifications to the net metering service tariff. During that time the Company also followed Idaho Power's net metering case and the Commission's final order therein.² The Company also monitored distributed generation issues in other states and the impact on all customers in order to ensure fairness when establishing rates and policies for net metering customers. Based on the Commission's ruling in Order No. 32846, in Idaho Power's case, the Company is not proposing modifications to rates in this Application but will address those issues in its next general rate case.

REPORT

8. In Order No. 29260³ the Commission found:

"the proposed 714 kW cap is a reasonable initial cap for PacifiCorp's net metering program. We also find it reasonable however; that the cumulative capacity limit be reviewed after that limit is reached. As part of that review, we expect a report from the Company regarding the required level of subsidization by non-participants. The Commission recognizes that the full cost of the program we approve today may not be borne only by participants... As part of its report to the Commission, the Company should

² IPC-E-12-27, Order No. 32846.

³ Case No. PAC-E-03-04.

provide the differential between the net metering purchase price it pays at retail sales rates and the wholesale cost of alternative power supplies. We also expect further information from the Company regarding cost shifting and the Company's ability to recover customer costs from program participants."

9. As ordered, the Company has prepared an analysis showing the difference between the purchase prices paid to net metering customers at the applicable electric service tariffs and the wholesale cost of alternative power supplies. To determine the net metering purchase price paid by the Company at current retail rates, a calculation of the energy charges from monthly bills of customers with net metering service that had excess credits was subtracted from a calculation of energy charges for the same monthly bills without excess credits. To determine the wholesale cost of alternative power supplies, excess energy from net metering customers was multiplied by average monthly Mid-Columbia ("Mid-C") wholesale power prices. The table below summarizes the Company's analysis showing the customer impact from excess generation; it does not reflect the total generation from net metering customers.

Rocky Mountain Power - State of Idaho - Twelve Months Ending December 31, 2015									
Differential between the Net Metering Purchase Price and Wholesale Cost of Alternative Power Supplies									
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
(A) - (B)		(C) - (D)		(E) / (B)		(C) / (G)		(D) / (G)	
Rate Schedule	Energy Charges without Excess Credits	Energy Charges with Excess Credits	Cost of Excess Credits	Value of Excess Credits (Mid-C)	Net Cost / (Benefit) of Excess Credits	Net Cost / (Benefit) of Excess Credits as a Percentage of Net Energy Charges	Excess Energy Output (kWh)	Average Price Paid for Excess Credits	Average Price of Excess Credits (Mid-C)
1	\$111,516	\$94,185	\$17,331	\$3,816	\$13,514	14.3%	155,955	\$0.1111	\$0.0245
36	\$83,077	\$72,746	\$10,331	\$2,160	\$8,171	11.2%	90,365	\$0.1143	\$0.0239
6	\$74,875	\$74,648	\$228	\$128	\$100	0.1%	5,427	\$0.0420	\$0.0236
23	\$101,997	\$85,440	\$16,557	\$4,533	\$12,023	14.1%	178,101	\$0.0930	\$0.0255
Total	\$371,465	\$327,019	\$44,446	\$10,638	\$33,808	10.3%	429,848	\$0.1034	\$0.0247

10. Column A in the table shows the energy charges net metering customers would have been assessed without the reduction to their bills for the excess energy they supplied to the Company. These values do not consider any reduction in energy charges

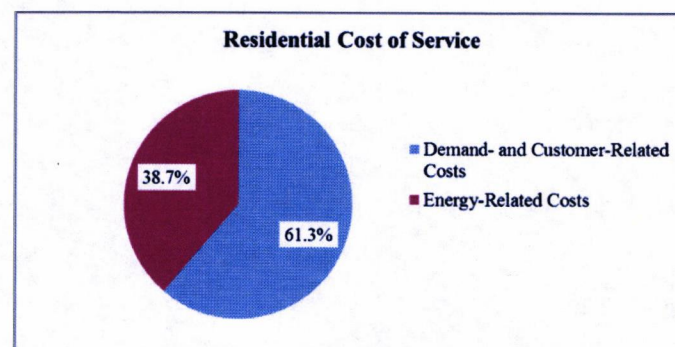
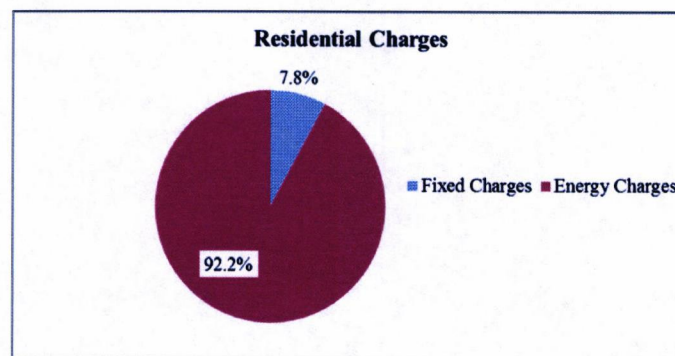
related to the portion of the net metering customers' generation that is consumed onsite. Column B shows the energy charges for net metering customers net of the reduction to their bills for energy that they supplied to the Company. Column C is the cost paid by the Company, at the respective retail rates, for the excess energy supplied by the net metering customers. Column D shows the Mid-C wholesale market power value, at average monthly prices, of the excess energy that net metering customers supplied to the Company. Column E is the incremental cost paid for the excess energy supplied to the Company. Column F summarizes, by rate schedule, what percentage the incremental cost paid by the Company, above Mid-C values, for the excess energy represents compared to the net costs the customer paid for the energy supplied by the Company. Column G is the amount of excess energy that net metering customers supplied to the Company. Column H summarizes by rate schedule the average retail rate paid for the excess energy and Column I represents the average Mid-C market price.

11. The table summarizes the amount paid to net metering customers for excess generation based on their applicable tariff rates compared to the energy's value at Mid-C. The Company paid \$44,446 for excess net metering generation that had a corresponding energy value of \$10,638 at Mid-C, or approximately 418 percent higher than market value. Another comparator is the average price per kilowatt-hour paid. On average, the Company paid 10.34 cents compared to an average Mid-C value of 2.47 cents.

12. The Company's compensation for excess energy includes fixed costs that are not avoidable due to net metering generation, thus resulting in cost shifting to other customers or the Company for recovery of those fixed costs. Since a net metering customer's generation alters its service profile but may not reduce peak demand, rate designs that

recover a significant portion of fixed costs (e.g., demand and customer related) through energy charges, such as Schedules 1, 36, and 23, are failing to recover the majority of the fixed costs or shifting fixed cost recovery to other customers.

13. The figures below show the split between fixed charges and energy charges for residential customers based on the cost of service study from the last general rate case.⁴ While 61.3 percent of the costs to serve residential customers are fixed costs, only 7.8 percent of those costs are recovered through fixed charges. Therefore, approximately 87 percent of the fixed cost recovery is subject to the customer's kilowatt-hour usage. The Company intends to prepare a comprehensive cost of service study for its next general rate case in order to accurately quantify and address cost shifting related to net metering.



⁴ Case No. PAC-E-11-12.

REQUEST TO MODIFY THE NET METERING CAP

14. The Company respectfully requests authority to increase, rather than remove, the net metering cap in Electric Service Schedule No. 135 – Net Metering Service, from 714 kilowatts to 2,000 kilowatts. It's the Company's position that the Commission did not intend the cap to be a hard cap. It's also the Company's position that the existing cap has not had any kind of chilling effect on participation by interested customers. Instead the cap was implemented to serve as a check point to report the impacts of net metering to the Commission.

15. The Company's last general rate case was filed in 2011 and it has subsequently negotiated two consecutive two-year rate plans. The most recent case modified terms and the base net power costs tracked in the energy cost adjustment mechanism. The Company agreed as part of that stipulation to stay out of a general rate case until the date upon which an application for a general rate case would produce new rates effective no earlier than January 1, 2018. If net metering rate design issues are not addressed until such date, the Company projects Idaho's net metering participation will have reached approximately 1,800 kilowatts of participation. To provide for ample growth and recognizing that the cap is not a hard ceiling for participation, the Company respectfully requests the Commission authorize a new Schedule 135 cap of 2,000 kilowatts.

16. The Company provides clean and legislative copies of Electric Service Schedule No. 135 – Net metering Service as an Attachment to this Application. Schedule 135 has been modified to increase the original 714 kilowatt cap to 2,000 kilowatts with a request for a May 1, 2016 effective date.

17. Pursuant to Commission Order No. 32846, the Company is not proposing any rate design modifications in this Application but will address those issues in its next general rate case. It is the Company's position that it is important to align rate design with the cost of service within each customer class, as recognized by Commission Staff in its comments supporting implementation of net metering for Rocky Mountain Power:⁵

"Staff believes the proposal to credit customer generators at full retail rates will pay customers more than the actual value of the generation. Net metering allows PacifiCorp to avoid some generation costs and perhaps some transmission costs, but few, if any, other costs. Under the proposed new tariff, customer generation is not credited based on the avoided cost of generation and transmission, but at the full retail rate. For the Commission to accept a net metering tariff where customer generation is credited at full retail rates, it must be willing to accept the fact that PacifiCorp may not recover its full costs of providing service from net metering customers. Those costs that are uncollected must either come from PacifiCorp through its shareholders or from other customers collectively. Initially, the subsidy for net metering customers is paid by PacifiCorp through shareholders. After a general rate case, the subsidy of net metering customers would presumably be shifted to the general body of ratepayers."

18. As anticipated by the Commission in its order establishing the net metering cap and confirmed by the Company's report, paying the full retail rate to net metering customers creates a situation where the Company and non-participating customers are subsidizing net metering customers and sending an uneconomic price signal to customers regarding the value of distributed generation. While the subsidization may be relatively minor at this time as a percentage of total Idaho retail revenues the Company believes the issue should be addressed as soon as possible to minimize potential impacts on customers and set appropriate expectations. For this and other reasons, it is important to maintain a cap as a future check point to continue to report customer impacts due to net metering.

⁵ Case No. PAC-E-03-04.

19. The Company will continue to monitor the impact of customer generation on its system operations. With the increased interest in distributed generation, demand side management, net metering and the evolving utility environment, it becomes increasingly important to align rate design with the cost of providing service to each customer class.

SERVICE OF PLEADINGS

20. Communications regarding this Application should be addressed to:

Ted Weston
Rocky Mountain Power
1407 W. North Temple, Suite 330
Salt Lake City, Utah 84116
Telephone: (801) 220-2963
Fax: (801) 220-4648
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Facsimile: (801) 220-4615
E-mail: yvonne.hogle@pacificorp.com

In addition, the Company respectfully requests that all data requests regarding this matter be addressed to one or more of the following:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

MODIFIED PROCEDURE


21. It is Rocky Mountain Power's position that consideration of the proposed modifications contained herein does not require an evidentiary proceeding and, accordingly, Rocky Mountain Power requests that that this Application be processed under RP 201 *et. seq.*, allowing for consideration of these issues under Modified Procedure, by written submissions rather than by an evidentiary hearing. If, however, the Commission determines that an evidentiary hearing on this matter is necessary, the Company stands ready to present testimony in support of this Application.

CONCLUSION

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission issue an order: (1) authorizing this Application to be processed under Modified Procedure; and (2) increasing the cap from 714 kilowatts to 2,000 kilowatts for Electric Service Schedule No. 135 – Net Metering Service, with modifications effective May 1, 2016.

DATED this 29th day of February, 2016.

Respectfully submitted,

By 
Yvonne R. Hogle
Attorney for Rocky Mountain Power



I.P.U.C. No. 1

First Revision of Sheet No. 135.1
Canceling Original Sheet No. 135.1

ROCKY MOUNTAIN POWER
ELECTRIC SERVICE SCHEDULE NO. 135

STATE OF IDAHO

Net Metering Service

AVAILABILITY: At any point on the Company's interconnected system.

APPLICATION: On a first-come, first-served basis to any customer that owns and operates an Eligible Generating Plant that is located on the Customer's premises, on the Customer's side of the Point of Delivery, is interconnected and operates in parallel with the Company's existing transmission and distribution facilities and is intended primarily to offset part or all of the Customer's own electrical requirements. This provision shall be available until the time that the total rated generating capacity of net metering systems connected under this schedule equals 2,000 kilowatts. No single Customer may connect more than 5 percent of the cumulative generation nameplate capacity connected under this schedule.

DEFINITIONS:

Net Metering: The difference between the electricity supplied by the Company and the electricity generated by an eligible Customer and fed back to the electric grid over the applicable billing period.

Eligible Generating Plant: A facility that uses energy derived from the sun, wind, water, biomass or fuel cell technology to generate electricity. An Eligible Generating Plant may not have a generating capacity of more than twenty-five (25) kilowatts for customers taking service on Schedules 1, 36, 23 or 23A or one hundred (100) kilowatts for all other customers. To qualify, a Customer must maintain its retail electric service account for the loads served at the Point of Delivery adjacent to the Generation Interconnection Point as active and in good standing.

Generation Interconnection Point: The point where the conductors installed to allow receipt of Customer's generation connect to the Company's facilities adjacent to the Customer's Point of Delivery.

MONTHLY BILL: The Electric Service Charge shall be computed in accordance with the charges for the Monthly Bill in the applicable standard service tariff subject to the following Special Conditions.

(continued)

Submitted Under Case No. PAC-E-16-07

FILED: February 29, 2016

EFFECTIVE: May 1, 2016



I.P.U.C. No. 1

First Revision of Sheet No. 135.1
Canceling Original Sheet No. 135.1

ROCKY MOUNTAIN POWER
ELECTRIC SERVICE SCHEDULE NO. 135

STATE OF IDAHO

Net Metering Service

AVAILABILITY: At any point on the Company's interconnected system.

APPLICATION: On a first-come, first-served basis to any customer that owns and operates an Eligible Generating Plant that is located on the Customer's premises, on the Customer's side of the Point of Delivery, is interconnected and operates in parallel with the Company's existing transmission and distribution facilities and is intended primarily to offset part or all of the Customer's own electrical requirements. This provision shall be available until the time that the total rated generating capacity of net metering systems connected under this schedule equals 714-2,000 kilowatts, ~~representing one-tenth of one percent of the Company's retail peak demand in Idaho during 2002~~. No single Customer may connect more than 520 percent of the cumulative generation nameplate capacity connected under this schedule.

DEFINITIONS:

Net Metering: The difference between the electricity supplied by the Company and the electricity generated by an eligible Customer and fed back to the electric grid over the applicable billing period.

Eligible Generating Plant: A facility that uses energy derived from the sun, wind, water, biomass or fuel cell technology to generate electricity. An Eligible Generating Plant may not have a generating capacity of more than twenty-five (25) kilowatts for customers taking service on Schedules 1, 36, 23 or 23A or one hundred (100) kilowatts for all other customers. To qualify, a Customer must maintain its retail electric service account for the loads served at the Point of Delivery adjacent to the Generation Interconnection Point as active and in good standing.

Generation Interconnection Point: The point where the conductors installed to allow receipt of Customer's generation connect to the Company's facilities adjacent to the Customer's Point of Delivery.

MONTHLY BILL: The Electric Service Charge shall be computed in accordance with the charges for the Monthly Bill in the applicable standard service tariff subject to the following Special Conditions.

(continued)

Submitted Under ~~Advice Letter~~ Case No. ~~06-06~~ PAC-E-16-07

FILED: ~~August 14, 2006~~ February 29, 2016

EFFECTIVE: ~~September 15, 2006~~ May 1, 2016